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PROVISIONAL SUMMARY RECORD OF THE 13th MEETING
(FIRST PART)*

Held at the Palais des Nations, Geneva,
on Thursday, 3 July 1997, at 3 p.m.

President: Mr. GALUSKA (Czech Republic)

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FOSTERING AN ENABLING ENVIRONMENT FOR DEVELOPMENT: FINANCIAL FLOWS, INCLUDING CAPITAL FLOWS; INVESTMENT; TRADE (continued)

* The summary record of the second part of the meeting appears as document E/1997/SR.13/Add.1.

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The meeting was called to order at 3.05 p.m.

FOSTERING AN ENABLING ENVIRONMENT FOR DEVELOPMENT: FINANCIAL FLOWS, INCLUDING CAPITAL FLOWS; INVESTMENT; TRADE (agenda item 2) (continued) (E/1997/26, E/1997/50, E/1997/54 and Corr.1, E/1997/67)

Mr. HANSENNE (Director-General, International Labour Organization (ILO)) said that, while globalization undoubtedly offered opportunities for increasing production and employment, it was also necessary to ensure that the liberalization of trade created prosperity for all countries and for all their citizens, and particularly the workers. A debate had been held at the most recent session of the International Labour Conference with a view to giving effect to the commitment undertaken at the Copenhagen Summit by heads of State and Government concerning the fundamental rights of workers.

The report on which that debate had been based urged the adoption of a solemn declaration which would reaffirm universal respect for the fundamental rights of workers by all members of ILO, irrespective of whether they had or had not ratified the corresponding ILO conventions. The aim was to renew the commitment of member States to certain essential principles inherent in the values defended by ILO which they had accepted by voluntarily becoming members of the Organization.

A fairly broad consensus had emerged on the principle of examining a text of that kind and the application machinery that would have to accompany it, the objective of which would be to ensure that even countries which had not ratified the conventions in question would respect their spirit and principles. The proposals to be put forward should make it possible to place that very important item on the agenda of the Conference's 1998 session.

To take full advantage of globalization, close coordination between social and economic policies must be established at the international level. The Copenhagen Summit had emphasized the need to create solid links between economic, financial and social institutions. Agreement had already been reached on strengthening collaboration between the International Monetary Fund (IMF) and ILO and cooperation had also been developed with the World Bank. Efforts in that direction would continue.

Mr. PIZZATI (El Salvador) said that the restoration of peace in his country had resulted in the establishment of a democratic political system and a stable social environment. Economic growth had been relaunched and steady advances made in the campaign against extreme poverty.

With a view to mairtaining economic growth, a development strategy had been formulated based on continuing and sustained improvements in productivity and competitiveness, priority being given to investing in human resources and physical infrastructure, preserving the environment and improving technology. The aim was to progress from a development strategy based on comparative advantage to one that sought to create competitive advantage. However, both internal and external obstacles to development remained and, as a country that had emerged from conflict with renewed democratic institutions, respect for human rights and respect for the rights of workers, El Salvador merited international assistance.

His Government was currently seeking to make the country attractive to investment, which it regarded as the key to economic growth. At the same time, it was fostering respect for the environment as the patrimony of future generations. The aim of the reform process was to make El Salvador one of the most open and competitive of the world's economies. All the measures contained in the national programme, El Salvador 2021, were directed towards raising the level of development in the form of a general and sustained improvement in the people's standard of living.

None of the hoped for results would be achieved, however, unless international conditions were such as to allow El Salvador a better position from which to benefit from the liberalization and globalization of the world economy. He hoped that the country, which had been presented as a success story after its peace process and its political, economic and social reforms, would not on the morrow, for lack of outside support and international leadership, be quoted as an example of failure to modernize and develop. The United Nations system should pay special attention to countries in post-conflict situations and support them in their national efforts at reconciliation, reconstruction and sustainable development.

Mr. DLAMINI (Observer for Swaziland) said that, to achieve sustainable development, cooperation must be strengthened at the international, regional and subregional levels. A favourable international

economic and financial environment and a positive climate for investment were necessary factor in economic growth. Cooperation and economic integration between developed and developing countries were also important. Developed countries should be encouraged to work with developing countries on trade-related development issues so as to facilitate their integration into the international trading system and promote development through trade and investment by means of the World Trade Organization (WTO) and other relevant institutions of the United Nations system.

The irreversible process of globalization and liberalization, and the resulting economic interdependence in trade, finance and investment flows, carried challenges with it, in particular the need to address the problem of the increased marginalization of most developing countries, particularly in Africa. The United Nations had been part of the process of globalization from the beginning, many agreements in that connection having been negotiated at the United Nations level. The Governments of both developed and developing countries should continue to cooperate so as to allow all the countries of the world to participate in and benefit from the process. An enabling international economic environment should be created that would address access to financial flows on a predictable and assured basis as well as the transfer of technology to the developing countries on concessional and preferential terms.

The developed countries should provide technical assistance to those countries that were still lagging and should consider substantial reductions in tariffs and other barriers to trade, thus providing a solution to the problem of debt and of market access for developing country products.

The international community's lack of political will to address those issues effectively had had devastating consequences for the developing countries. Official development assistance (ODA) was essential to enable them to strengthen their capacity to participate competitively in global markets. Some countries, indeed, had to rely on ODA flows for their very survival. His Government was greatly concerned at the decline in ODA in recent years and urged the developed countries to reach the internationally agreed target of 0.7 per cent of GNP and to make commitments for new and additional resources. They should also desist from taking any measures aimed at introducing conditionalities, in particular those relating to trade and the environment,

ODA and technology transfer, and restrictions on market access for the commodities, manufactures and services of developing countries. Landlocked countries such as Swaziland deserved special attention and support.

With a view to achieving sustainable economic development, his Government was currently engaged in a programme of economic and social reform. After a number of years of economic growth and prosperity, the country faced the challenge of slow growth, characterized among other things by stagnating investment. To meet that challenge the Government had developed an Investment Promotion Law providing for the encouragement of local and foreign investment in Swaziland.

For the past five decades, the United Nations had been in the forefront of international efforts to reduce poverty. Eradication of poverty was still the major concern of many developing countries. To promote economic and social progress within the wider concept of international human rights, economic and social rights must be recognized as a means of attacking poverty and its consequences. Unfortunately, many countries lacked the resources to achieve most of those rights without assistance.

Mr. BLANKART (Observer for Switzerland) said that the globalization process must be accompanied by respect for fundamental social standards, particularly with regard to employment. Steps must be taken to ensure that the new world economic framework being put in place created jobs, and that the quality of those jobs was preserved and indeed improved.

The speed with which capital and information crossed frontiers and continents had consequences for the capacity of States to engage in a coherent economic and social policy. If they tried to oppose the global movement, they risked being marginalized. Some regions that were less well prepared to grasp the opportunities offered found themselves left outside the globalization process. Such exclusion was not acceptable and his delegation was accordingly in favour of establishing an environment that would enable the weakest countries to participate to the full in world trade.

The establishment of such an environment implied an appropriate distribution of responsibilities among the various actors involved. The State must install a proper institutional framework. That would in turn depend on political stability and opening to democracy, which would, as a result, become priority objectives. To play its part in regulating economic activity

correctly and effectively, the State must also promote the participation of civil society. Economic growth could not be regarded as development unless it was accompanied by a fair distribution of the economic and social benefits thereof, with women being given the opportunity to participate to the full.

Human resources were one of the essential elements in the economic take-off of newly emerging countries. Access of the poorest to education and health care must thus be supported and promoted.

Civil society in general and the private economic sector in particular were the principal agents of development. Expansion of the private sector in the developing countries required not only adequate communication and transport infrastructures but also the creation and development of efficient financial systems and a solid legal framework, both of which would help to facilitate the expansion of external trade.

International assistance could not replace the Governments of the low-income countries in the creation of a macroeconomic environment conducive to economic activity, but it could help at the important stage of establishing economic incentives. To that end, Switzerland was playing an active part in international and bilateral efforts along those lines. It was also supporting the developing countries in their efforts to export environmentally sound products and services though the transfer of appropriate technology. Switzerland had also recently adopted a new system of tariff preferences for the least developed countries, taking into account the results of the Uruguay Round.

Technical assistance measures, whether granted bilaterally or through multilateral institutions, should be coherent, complementary and capable of creating synergies. Consequently, they needed to be better coordinated. The high-level meeting on the least developed countries that was shortly to be held by WTO was thus especially important, insofar as recommendations should emerge from it regarding an integrated approach to the assistance provided by the various actors. Despite brave policies of structural adjustment, many countries had still not regained vigorous economic growth. Assistance from the international community was more necessary than ever in the shared campaign against poverty throughout the world. Switzerland's commitment to the countries of the South was dependent on the establishment of programmes targeting the poorest sectors of the population and on a more effective

utilization of the assistance provided. The plague of corruption must also be combated. His Government had supported the OECD recommendations in that area and had begun to apply the anti-corruption clause to contracts financed by ODA.

It was in favour of adopting the debt initiative on behalf of highly indebted poor countries. Lightening the multilateral debt burden was crucial to the economic and social recovery of those countries. The international financial institutions had a key role to play in that effort and his delegation hoped that additional bilateral contributions could be mobilized. His Government had undertaken to contribute $30 million to the Trust Fund for the multilateral initiative, being convinced as it was that the integration of the developing countries into a globalized world economy would be beneficial to all concerned.

Mr. WONG (Malaysia) said that the globalization of financial markets had brought new dimensions to the task of economic management. Rapid changes in capital flows and global developments in information technology made it necessary for the Council to focus its attention on strengthening international cooperation to create an enabling environment for growth and to ensure that globalization did not result in the further marginalization of the weaker countries.

Capital flows to emerging markets in the form of foreign direct investment (FDI) and portfolio capital had increased dramatically since the early 1990s. Malaysia had been a major recipient of such flows, which had contributed to sustained economic growth. However, the magnitude and volatility of portfolio flows had on some occasions caused problems. Not only had market integration complicated macroeconomic management but international developments had begun to exert a more important influence on domestic policy.

His Government constantly faced difficult policy choices arising from the globalization of capital markets. By the 1990s, external shocks had become more frequent as capital flowed across borders more easily, following a global trend of liberalization of capital controls. Malaysia had become more vulnerable to such developments, mainly because it had continued to relax requirements in regard to capital inflows at a time when the capital account of the balance of payments had become much larger. As a result, the capital account exerted a more important influence on exchange rate movements than

the current account. More recently, portfolio capital had gained greater significance and his authorities were monitoring developments closely in order to avoid undue economic instability from such capital movements.

With the integration of financial markets, contagion effects could destabilize a creditworthy country when another emerging country faced a financial crisis, as in the case of Mexico in 1994. Similar contagion effects had been experienced during the recent crisis facing the Thai baht, because of perceived similarities in economic conditions in the countries of the region.

In such an environment, it was important to pursue sound macroeconomic policies so as to establish strong economic fundamentals. However, even countries with such fundamentals found their stability threatened by concerted speculative attacks on their currencies. His delegation strongly supported the Council's recommendation that international cooperation should be strengthened to avoid contagion effects.

There was also a need for closer regional cooperation and mutual support to deal with potential risks arising from disruptive global events. The South-East Asian and Pacific Rim countries had recently intensified cooperation and consultations among their central banks and monetary authorities to enable them to deal more effectively with those phenomena.

Regional cooperation alone, however, would not suffice. The countries of his region must work closely with the major industrial countries to address adverse developments arising from shifts in the sentiments of investors. In that regard, his Government welcomed the establishment of the New Arrangements to Borrow (NAB). By bringing in new members like Malaysia and other ASEAN countries with the financial capacity to support the international monetary system, the NAB would strengthen multilateral mechanisms for safeguarding the stability of the financial system. Furthermore, the new members would have the opportunity to become involved in the functioning of the international monetary system, thereby contributing to global economic management in line with their growing importance in the world economy.

Although each country had the primary responsibility of ensuring sound national macroeconomic policies, international cooperation played an important role in providing support. So far, only a few countries had benefited from the increased integration of financial markets. Action should be taken to

ensure that the pursuit of prosperity among the stronger countries did not cause less developed countries to be marginalized. Greater international assistance to those countries would help to ease the economic adjustment process and promote growth. Without additional assistance to ease the debt burden, however, other forms of international assistance would be less effective.

His delegation accordingly supported the Council's recommendation to call upon the major creditor countries to support the IMF and World Bank efforts to provide debt relief through the ESAF-HIPC Initiative. Technical assistance was also vital to ensure that the weaker countries were brought into the mainstream. Multilateral institutional support should, therefore, focus more on technical and advisory assistance. In particular, assistance was necessary to develop strong banking systems.

Malaysia had expressed its willingness to contribute to an enhanced ESAF in a proportionate and equitable manner. It was also providing technical assistance to a number of countries to share the lessons it had learned and help promote stability in the international financial system. However, assistance through the Initiative was only a first step. The world community should commit greater resources to uplifting the economic performance of those countries where economic reforms were being pursued in earnest. Greater effort should be made to direct foreign investment into those countries. The international community, through the IMF and the World Bank, could devise a programme to promote investment in countries that were eligible for the ESAF-HIPC Initiative.

The extension of IMF jurisdiction to cover capital account transactions, agreed to at the last meeting of the Interim Committee, would allow the IMF to enforce a liberalization that was already being dictated by market forces. In that regard, his delegation welcomed the efforts of IMF, the Bank for International Settlements and the World Bank to work together to establish a common basis for an acceptable set of sound banking supervisory principles.

His delegation supported the WTO call for the conclusion of the Financial Services Agreement. Developing countries should, however, be given time to strengthen the competitiveness of their own domestic suppliers in order to be able to meet the challenges of the borderless world of financial

services. Such an understanding would be consistent with the Council's theme that globalization must be so managed as to avoid marginalizing the less strong.

Mr. KARLSSON (Sweden), having commended the Secretary-General on his report on key aspects of globalization (E/1997/67), said that political choices had still to be made, basically between a socially-oriented market economy and one taken over by elitist groups. A truly social market would seek to release the potential of all the country's people, and achieve a balance between the market, public institutions and civil society.

Globalization required a stronger international framework, particularly in respect of such matters as private capital flows, information technology, fresh-water resources, and increasing energy consumption. Although trade and investment were vital elements in the partnership between developing and developed countries, international development cooperation would remain an indispensable instrument, and it was disconcerting to note that assistance levels had fallen to historical lows. As the Managing Director of IMF had said, ODA should be seen as the highest yielding investment that mankind could make in its future.

The stakes were particularly high in Africa, where a renaissance was occurring, and his Government was forming a much broader view of Africa's potentialities, to which a major conference, just concluded at Stockholm, had been devoted. Sweden was also hosting the annual council of the International Institute for Democracy and Electoral Assistance, and would, later in the year, host a high-level seminar on international solidarity and globalization.

To meet the needs of the new global agenda and to act as a bulwark for multilateralism, a stronger United Nations was required, and he urged the Secretary-General to use the power and potential of his office to carry through the necessary reforms. In the humanitarian field, they should be direct to strengthening the policy and strategic leadership role of the United Nations, underpinned by bold reforms in the financing of development activities to ensure predictable and adequate funding and burden-sharing. New mechanisms were also needed, such as negotiated and multi-year pledges. If the United Nations system was to break free from the vicious circle of marginalization, its activities must also be strengthened at the country

level. A concerted response was required to such issues as poverty eradication, social and economic development, and the gender revolution.

Mr. PORGES (Observer for Croatia) said that globalization and liberalization had accentuated the need for an integrated approach to investment technology, cyberspace, and sustainable development. In spite of increasing production and financial flows, the gap between developed and developing countries had not been significantly narrowed. Although FDI had outstripped ODA in volume, further investment technology transfers and the opening up of developed countries' markets to the developing countries remained vital necessities. Developing countries and countries with economies in transition also needed to make further efforts to adjust their economies and to develop cooperation with one another, not only by expanding trade but also by facilitating the flow of FDI from one country to another.

Although handicapped by military attacks upon its independence, Croatia had made considerable progress in economic restructuring and privatization. Its advance towards international competitiveness was reflected in considerable improvements in all the basic economic indicators, which had gained it a high place in investment credit rating lists. An open market had been achieved, and foreign trade represented 60 per cent of GDP. The future for FDI was also bright, thanks to the constitutional and legal protection afforded thereto.

Croatia's priority was to enter the multilateral trading system, but progress towards that end also depended upon the extent to which its path to membership of WTO and regional integrations, such as the Central European Free Trade Agreement (CEFTA) and the European Union was cleared of all unnecessary obstacles.

Mr. NICULESCU (Romania) said that the task of fostering an enabling environment for development had to be undertaken in a world economy transformed by globalization and liberalization. Ideological polarization was a thing of the past and economic problems could be freely discussed and proposals for cooperation evaluated on their own merits. To meet the challenges of the new environment, thoroughgoing reform of the United Nations system was essential.

The Secretary-General's report (E/1997/67) brought out the fact that fostering an enabling environment was a complex process requiring concerted

efforts at both the national and international levels. The participation of Governments and of non-government actors, particularly the private sector and civil society, was essential, as was a cooperative effort to promote the integration of developing and transitional economies into the multilateral economic system.

The new centre-right Government in his country had launched a radical reform programme which had won funding support from IMF, the World Bank and the European Union. It included austere fiscal policies and measures to liberalize prices and the exchange and trade regimes. A radical privatization programme was also under way, and foreign investment was to be stimulated by giving it liberal access to the stock market.

At the international level, Romania was committed to working for a strong, rules-based, open multilateral system of trade and investment. At the regional level, the chief objective was the earliest possible integration into the European Union. His Government also recognized the need to increase the volume of development assistance, and the role which official bilateral and multilateral assistance could play.

With regard to the recommendations in the report for ensuring greater policy consistency and the promotion of market access and investment flows, his delegation agreed that international cooperation and harmonization in macroeconomic, environment, labour and health policies were required, and that the Council should consider devoting one of its high-level meetings with the Bretton Woods institutions and WTO to that topic.

In view of the fact that FDI was highly concentrated in a few Asian and Latin American countries, his delegation believed that the Council should invite the United Nations Conference on Trade and Development (UNCTAD), WTO and other relevant organizations to study appropriate ways of promoting rules-based investment regimes and assisting capacity-building as a contribution to extending long-term investment and capital flows to a wider circle of developing and transitional countries.

Mr. CRELA (Poland) said that the Secretary-General's report on fostering an enabling environment (E/1997/67) was an excellent one and his delegation was in general agreement with its analysis. Macroeconomic trends and the results of outward-oriented policies in many developing and transitional economies did not, however, reflect the solid economic growth

necessary for sustainable development. International cooperation could not be confined to Governments alone but must include a wide range of actors and policy makers. The implications of globalization had to be seen in the light of the specific conditions obtaining in each country, but the broad elements were essentially the same: the creation and maintenance of peaceful and stable international conditions, democratization of international relations, and the application of open, fair and non-discriminatory rules to all.

Continuing successful implementation of political and socio-economic reforms had resulted in Poland becoming a member of the Organization for Economic Cooperation and Development (OECD) and making substantial progress towards accession to the European Union and to the North Atlantic Treaty Organization (NATO).

Financial barriers, resulting not only from an underdeveloped financial infrastructure but also from huge external indebtedness, were preventing the developing countries from participating actively in the global economy, and he welcomed the 1996 joint initiative of the IMF and the World Bank to alleviate the problems of the heavily indebted countries. His delegation was ready to join others in constructively discussing the further implementation of that initiative.

His delegation fully supported United Nations activities to promote economic reforms, structural adjustment, entrepreneurship and private-sector development, capital flows, investment and trade expansion. Continuing international support for countries that had undertaken economic reforms was of critical importance.

It also supported the strengthening of the Council's role to enhance the fulfilment of its mandate, to which greater involvement of United Nations regional bodies could make a valuable contribution. It looked forward to the specific proposals for the reform of the United Nations, including the Council, which were to be submitted shortly.

Mr. SPETH (Administrator, United Nations Development Programme (UNDP)) said that globalization presented great risks as well as offering potential benefits. The LDCs' share of world GDP had declined over the 13 years up to 1993, as had their share in world trade over the 35 years up to 1995. Foreign direct investment (FDI) was also unevenly distributed,

90 per cent going to middle-income countries plus China, whereas the low-income countries were heavily dependent on assistance, and, for example, received over 90 per cent of UNDP resources.

While inter-agency working groups had been set up to address the issues of the enabling environment, and the World Bank, UNCTAD and UNDP were strengthening their country offices to provide development assistance services, trade arrangements were still insufficiently favourable to developing countries, and the management of international debt was not sufficiently oriented towards the promotion of growth strategies. UNDP was giving particular assistance in the area of governance and the strengthening of commercial and other laws, of privatization, public expenditure reviews, and capacity-building.

There was also a need to redefine development cooperation to take into account complementarity with the private sector. The provision of normative leadership on trade, debt, investment and development financing, technology, and international economic policy in general, was precisely the task that the Council should regard as its contribution to meeting the challenges of the future. To that end, the Council should give serious consideration to adopting some type of committee structure. The recent meeting of the Executive Committee of the Development Cooperation Group had made some promising progress towards the implementation of the Secretary-General's reform projects.

Mr. PANOU (Togo) said that, while the world economy had registered a high growth rate in recent years, there were great differences between countries, the poorest of which were being marginalized. After 30 years of difficulties, Africa, too, was experiencing growth with an increase in GNP of over 4 per cent in some countries.

Changes in the global economic, social and political situation over the past 25 years were reflected in the economic and financial system. Globalization had established complex new rules and the poorest countries, whose economies made it impossible for them to benefit from that process, faced an uncertain future. That was particularly true in sub-Saharan Africa, where three quarters of the world's poorest countries were located.

For some 15 years, African countries had been undertaking various structural adjustment measures with the cooperation and technical and

financial support of the United Nations system to establish an enabling environment for development. The efforts they had made and the sacrifices accepted by their people had not produced the desired results, and the double concern to democratize and improve economic indicators had made the situation even worse. They were still struggling against an agricultural system which was neither developed nor modernized, had a low productivity rate and was oriented towards subsistence and home consumption; undiversified export products, mainly raw materials, which sold at unfavourable terms of trade; virtually no industrialization; a poor institutional environment; major budgetary deficits; an excessive debt burden; a decrease in public capital resources and little FDI. To escape from that critical situation, Africans must accept a degree of self-imposed discipline. Economic reform was a necessary prerequisite for economic recovery and development. The developed countries should help the LDCs to make their economies more competitive through inter alia the introduction of sound economic policies, improved management of the public sector, and the establishment of a legal framework appropriate to development, open trading systems, vigorous financial systems, high interest rates and a favourable tax structure.

The 1995 World Summit for Social Development at Copenhagen had recognized that persistent poverty posed a serious threat to peace and international security and acknowledged the need for international solidarity to eliminate it. The Copenhagen Declaration and Programme of Action had lost none of their relevance and should be implemented. The poorest countries, including those of the African continent, needed sustained support from their development partners to implement programmes of economic recovery that would lead to sustainable development and the well-being of their people. Long-term strategies would enable the LDCs to follow the example of newly industrialized nations by substantially reducing debt and increasing the flow of public and private capital so as to break the vicious circle of poverty.

He welcomed the recent decision by the United States Government to allow African products greater access to its markets and to encourage private investment in Africa. More such measures should be introduced, particularly with regard to the LDCs, so as to protect the right to life of millions of

men, women and children. He hoped that the current discussion would lead to useful conclusions capable of reducing poverty and restoring the dignity of one third of the world's population.

Mr. HENZE (Germany), having endorsed the statement to be made by the spokesman for the European Union, said that globalization forced all countries, whatever their level of development, to make painful structural adjustments. Germany, which derived one third of its GNP from foreign trade in goods and services, was not exempt from that process but remained committed to open markets for developed and developing countries and to close cooperation with the developing world. Experience had shown that success or failure depended largely on whether the countries concerned were prepared to create the adequate political, economic and social framework, and he had heard with interest the representative of Togo's statement that African countries must commit themselves to a certain discipline.

Private capital flows had increased dramatically as a result of liberalization and globalization. However, those flows were attracted, not by international agreements, but by reliable conditions for worthwhile investment. While increased private capital flows and export earnings had become more important than ODA to many developing countries, ODA remained indispensable to the LDCs. The primary responsibility for development rested, of course, with the developing countries themselves. ODA must be used efficiently and must be concentrated on improving the national environment to make recipient countries more competitive and allow them to enter the global market economy. The social costs of such policies could not, however, be ignored.

The otherwise excellent report of the Secretary-General (E/1997/67) failed to mention the importance of regional cooperation in fostering an enabling environment for development. Different regional requirements would lead to different bases for setting priorities and making specific recommendations.

Promotion of an enabling environment for development was inseparable from the rational use of natural resources, which were not only the basis of life for many countries but also a crucial economic asset which must be preserved through environmentally acceptable economic development.

Mr. KARIM (Observer for Kuwait) said that the rapidly-changing global economic situation had had some negative consequences. The Iraqi invasion had cost Kuwait over $ 133 billion, thus showing that countries, especially developing ones, should engage in solidarity and cooperation rather than aggression and the resulting depletion of resources. Economic globalization followed inevitably from the changing political scene and, despite positive consequences such as trade liberalization and the removal of restrictions, its primary result was economic competition. Globalization had had negative consequences for developing countries which found themselves unable to compete with developed ones. Both producers and consumers were necessary, and some balance between them should be maintained.

While all countries wanted to attract FDI, to do so would require greater transparency in the rules governing investment and a simplification of procedures whereby a single State authority would be in charge of investment, and increased stability. Only under very exceptional circumstances should there be any nationalization or confiscation for reasons of national security. Infrastructures must be set up, transfers must be facilitated, disputes must be settled through international machinery, there must be no discrimination between nationals and non-nationals, development assistance must continue and efforts must be made to promote self-help, production and technology transfer.

Kuwait was working hard to assist in capacity-building, especially that of the LDCs. Developed countries must take into account the varying degrees of development of recipient countries and assist them rather than impose penalties. The private sector, particularly small and medium-sized enterprises, had a vital role to play in long-term development.

Mr. KONISHI (Japan) said that globalization made trade, investment and ODA increasingly significant for the economies of the developing countries. Economic prosperity was dependent on a country's ability to create an environment that fostered domestic capital formation, to achieve growth driven by the private sector and to integrate itself into the global market. Many LDCs, particularly in sub-Saharan Africa, were striving to attain financial sustainability through fiscal and monetary measures and adopted growth- and market-oriented economic policies, including those aimed at liberalizing trade and improving the investment environment.

Macroeconomic conditions at the global and domestic levels, such as fluctuations in interest and exchange rates, had a great impact on developing countries, which must adopt sound macroeconomic policies to attract capital and must establish the necessary social infrastructure, improve their monetary and legal systems and strengthen human resources development and good governance.

The United Nations, whose universal membership and broad scope gave it an advantage in dealing comprehensively with development, should attempt to identify inconsistencies in the areas of finance, trade and development and find ways to minimize their negative impact on the developing economies. In that regard, his delegation supported the General Assembly's decision to convene a high-level special meeting between the Council and international financial institutions (resolution 50/227). The recent adoption of the Agenda for Development should lead to new cooperation between development partners and a comprehensive approach which would involve not only traditional ODA but also trade, private investment and technology transfer as well as questions of basic infrastructure, education and public health.

To that end, actors in the development process must work towards common goals of competence and responsibility. Pursuant to the Heavily Indebted Poor Countries' (HIPC) debt initiative, the Bretton Woods institutions had established specific mechanisms and provided initial funds for debt reduction. His delegation looked forward to further implementation of that initiative in the coming year and expected additional countries to qualify for relief. The Bretton Woods institutions should cooperate closely with other multilateral institutions, taking into account the needs of the African Development Bank. His delegation also welcomed the World Bank's Strategic Compact, which represented a commitment to greater involvement in reducing poverty, the formation of new partnerships with the private sector and concentration on countries genuinely committed to social- and people-centred development policies.

WTO and UNCTAD were endeavouring to improve the integration of the LDCs into the trading system by providing predictable and favourable duty-free market access for their products so as to foster expansion and diversification of their exports. Trade liberalization would help African countries to

utilize their resources more efficiently and integrate their economies into the globalization process. Japan was prepared to strengthen LDC access to its market.

Japan had contributed to promotion of the new development strategy by convening a number of meetings and seminars involving development partners, international organizations and the business community. It would hold the Okinawa Conference on Development during the current month and would convene the second Tokyo International Conference on African Development (TICAD II) in 1998.

His delegation hoped that an agreed conclusion would be adopted at the end of the high-level segment.

Mr. CHOWDHURY (Bangladesh) said that his delegation liked the format of the Secretary-General's report on fostering an enabling environment for development (E/1997/67), which presented issues followed by recommendations. He hoped that the President's summary of the previous day's dialogue with heads of financial and trade institutions would be included in the Council's annual report.

The problem of marginalization should not be forgotten in the relentless pursuit of globalization and liberalization. While each country had the primary responsibility for its own development, its efforts depended largely on the external environment. In the foreseeable future, many developing and least developed countries would require continued assistance from the international community, and the developed countries had a major responsibility to create an enabling environment for development.

Despite vigorous efforts and economic reform, the LDCs had been given inadequate support to fulfil their responsibilities under the Paris Programme of Action for the Least Developed Countries for the 1990s. While there had been modest improvement in their overall economic performance over the past three years, decisive change was not in sight. Problems associated with structural adjustment and economic reforms, a further decline in development resources, low export capacity, limited market access, a crushing debt burden, a low level of human development and serious environmental deterioration continued to impede their development efforts, which were further complicated by the rapid globalization of the world economy which increased their susceptibility to external forces.

The most serious problem was the decline in ODA, which undermined the development efforts of LDCs and their capacity to attract other forms of development financing, including private flows. He urged the development partners of the 48 LDCs to make special efforts to reverse the decline in ODA, achieve the target agreed in the Paris Programme of Action and implement the commitments made at the most recent G-7 summit.

The development and trading partners of the LDCs must help them to reverse their continued marginalization by setting up safety nets in the form of technical assistance, food aid, debt relief and other preferential measures to tide them over transitional difficulties. Owing to their external debt burdens, the LDCs had been unable to undertake the investments in human development, infrastructure and diversification which were essential to meaningful participation in the global economy. The HIPC debt initiative of the Bretton Woods institutions was an important step towards reducing that debt burden and demonstrated that once the political commitment existed, the international financial community could coordinate its efforts to mitigate a fundamental cause of poverty and isolation.

The international community must devote greater efforts to increasing the market access of LDCs by fully implementing the Marrakesh Declaration, the Ministerial Decision on Measures in Favour of the Least Developed Countries and the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed Countries and Net Food-Importing Countries. He urged everyone, and, particularly, the Bretton Woods institutions, to participate in the forthcoming high-level meeting on least developed countries, with a view to strengthening the capacity of those countries to supply exportable goods and services.

Economic growth and development must be accompanied by social development programmes aimed at improving the quality of the life of individuals. He stressed the importance of the 20/20 initiative as a means of securing adequate resources for basic social services. The summit on micro-credit held in February 1997 had emphasized the role of micro-credit programmes in poverty eradication and the empowerment of women, and a programme of action adopted at that summit was aimed at bringing 100 million families out of poverty by the year 2005. The United Nations system must support countries' efforts to achieve that goal.

Mr. WU Jianmin (China) said that the LDCs were particularly vulnerable to unfavourable conditions in the external economic environment. Many were weighed down by poverty, population pressure, foreign debt and worsening terms of trade. With rapid globalization, the control of individual Governments over their economies was weakening. The international community had thus a responsibility to create an enabling environment to ensure that developing countries were not marginalized. Developed countries must reverse the decline in ODA and meet their commitment of 0.7 per cent of GNP.

Private capital was not attracted by low-profit fields such as environmental protection and the creation of infrastructures and was thus not a valid replacement for development assistance.

When formulating the "rules of the game", the international community should take full account of the problems and requirements of the developing countries. In the Trade Negotiations Committee, some developed countries were making unreasonable demands on developing countries in respect of the speed and scope of their economic integration. Under the guise of social clauses, highly protectionist policies were being levied against precisely those industries in which the developing countries enjoyed a comparative advantage. His Government was also opposed to the unfair linking of trade to environmental and labour standards.

Since developing countries accounted for 85 per cent of the world's population, an improvement in their purchasing power would boost the entire world economy. Developing countries should participate fully in international economic decision-making and be allowed to safeguard their own rights and interests to ensure that "interdependence" did not entail domination of the market by developed countries.

Financial markets in the developing world were prone to turbulence, depending as they did upon volatile capital flows. Smooth economic development of developing countries would promote political stability and social development throughout the world.

The United Nations, as the most representative of the intergovernmental organizations, should ensure that the goal of its reforms was a more equitable international economic order in the spirit of the Charter.

Developing countries had gained political independence in the twentieth century. They possessed some of the world's most dynamic markets

and investment opportunities. With the active support of the international community, they should be able to break away from poverty and backwardness in the twenty-first century.

Mr. KILGOUR (Canada) said that, although each country had the primary responsibility for its own development and for inspiring confidence in investors, the international community must continue to build a supportive partnership to bring prosperity to all countries and ensure a promising future for the generations to come.

In recent years, the United Nations had done much to promote international support for an enabling environment based on the principles of peace, security, sustainable development, democracy and respect for human rights. Much still remained to be done, however, to secure peace and stability and ensure the progress of all people from need to fulfilment.

A transparent, rules-based multilateral trading system with universal membership was a prerequisite for a level playing field. International financial institutions had also an important role to play as promoters of the orderly liberalization of capital movements and as levers for private-sector investment in the developing countries.

Canada remained strongly committed to the 20/20 initiative and had recently established a Peacebuilding Fund. With a view to eliminating a primary source of instability in war-prone regions, it was concentrating its efforts on poverty reduction in the LDCs, particularly in Africa. In 1997, 38.5 per cent of Canada's development assistance budget had been devoted to meeting basic human needs.

With a view to ensuring that the information revolution benefited all in the developed and developing world alike, Canada had hosted a Global Knowledge Conference in Toronto in June 1997. Information networks linking researchers, civil society, Governments and organizations could provide the knowledge base to address many current development challenges.

The United Nations had a unique role to play in promoting an international enabling environment. The Council must encourage UNCTAD and WTO to work together to integrate the LDCs into the world economy. It must also encourage UNCTAD and other agencies to provide guidance to developing

countries on how to attract more investment. There should be closer alignment between United Nations development activities and the structural adjustment programmes of the international financial institutions.

The Council had also a role to play in supporting the United Nations' continued focus on social development, poverty reduction, human rights, good governance and the promotion of gender equality, particularly in education. It must also promote greater effectiveness and efficiency in the Organization's development activities, particularly at the country level.

His Government welcomed the Secretary-General's willingness to discuss the outlines of his reform proposals with delegations. There must also be parallel reforms of the economic and social system. To be effective in a changing world, the key parts of any large organization must be endowed with clearly focused purposes and adequate autonomy to pursue specific missions.

The United Nations was a unique and valuable Organization. Canada strongly supported its long-standing efforts to nurture a spirit of international cooperation and to create an enabling environment for development.

Mr. AMORIM (Brazil) said that the current session of the Council had been particularly useful thanks to well-prepared documentation and the opportunity to discuss developing countries' experiences of the problem of globalization. He welcomed the developed countries' reaffirmations of their commitment to international assistance, merely regretting that they had not been made in time to improve the atmosphere at the Special Session of the General Assembly.

The developing world's hopes of a new international economic order had not materialized as expected, and there was currently a more sober recognition of the risks of globalization as well as the opportunities it brought. Recent elections in Europe had revealed that even developed societies were uncertain how to adjust to the new reality.

Brazil had been pursuing a range of adjustment and compensatory policies to foster macroeconomic and political stability and promote investment. There was, however, a limit to what countries could achieve individually. The international environment was therefore crucial. His delegation thus supported the calls to reverse the decline in ODA.

At the global level, there was an institutional deficit in policy coordination and developing countries did not participate sufficiently in mechanisms such as the G-7 and the IMF Interim Committee. His delegation supported the calls for the Bretton Woods institutions to explore ways of ensuring the full involvement of all countries in the development of better international regulatory regimes. Excessively volatile financial flows needed to be controlled, since they had destabilizing consequences for world trade. Subsidies and their impact on trade should also be on the agenda of a future high-level segment.

Reality was constantly reinventing itself and visions about new eras risked turning into ossified ideologies. For a more unified understanding of the effects of globalization, further debate must thus be encouraged within the Council.

Mr. MARRERO (United States of America) said that, in discussing national and international enabling environments, the Council should take into account the mutually reinforcing ingredients of sustainable development which had been agreed upon at Copenhagen, namely economic development, social development and environmental protection, as well as those highlighted in the Agenda for Development; namely, sustained economic growth, democracy, respect for human rights, transparent and accountable governance and the empowerment of women.

If all developing countries were to attain their goal of sustainable development, it was essential to help them attract investment. In the world's new economic order, private capital flows to developing countries were five times as great as official assistance. While not wishing to discount the importance of such assistance or the role of the United Nations in helping to create an enabling environment, his delegation stressed that developing countries should not depend on development assistance alone to finance their social development. Profit-seeking investment helped to increase the GDP, wage payments and thus tax revenues which, in turn, helped to finance such areas as health, education, the empowerment of women, protection of children and the fight against crime and drugs. Economic growth thus clearly depended on both an enabling environment at the international level, and the mobilization of savings and sound social development policies at the domestic level. Similarly, globalization and environmental protection must go

hand-in-hand, since such areas as financing, technology transfer, climate change and the protection of oceans and forests were international in their scope.

The United States was an active supporter of international efforts to promote good governance policies at the national level which were conducive to attracting FDI and enabled countries to weather periodic reversals of private capital flows. The Multilateral Agreement on Investment currently being negotiated within OECD would provide a framework for ensuring high standards for investment protection, the liberalization of investment regimes and effective dispute-settlement procedures. Countries acceding to the Agreement would be sending a signal demonstrating their willingness to welcome investment and treat foreign investors fairly. His delegation had also been active in initiating the United Nations Declaration Against Corruption and Bribery in International Commercial Transactions which had been adopted by the General Assembly at its fifty-first session.

If the multilateral institutions were to act as a foundation for assistance, they must operate as efficiently and effectively as possible. His delegation thus strongly supported the reforms already announced by the Secretary-General and was looking forward to a further bold reform package to be announced shortly.